

QEP CO INC
Form 10-Q
January 14, 2004
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal quarter ended November 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-21161

Q.E.P. CO., INC.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

13-2983807
(I.R.S. Employer
Identification No.)

1081 Holland Drive

Boca Raton, Florida 33487

(Address of Principal Executive Offices) (Zip Code)

(561) 994-5550

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

3,408,175 SHARES (\$.001 PAR VALUE)

AS OF JANUARY 14, 2004

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Q.E.P. CO., INC. AND SUBSIDIARIES

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* Information derived from our audited financial statements on Form 10-K.

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PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

Q.E.P. CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

NOVEMBER 30, 2003 AND FEBRUARY 28, 2003

	November 30, 2003	February 28, 2003
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 682,868	\$ 304,453
Accounts receivable, less allowance for doubtful accounts of \$406,000 and \$354,000 at November 30, 2003 and February 28, 2003, respectively	23,364,337	20,548,282
Inventories	24,566,122	28,386,525
Prepaid expenses	1,906,903	1,861,999
Deferred income taxes	598,876	598,876
	<u>51,119,106</u>	<u>51,700,135</u>
Total current assets	51,119,106	51,700,135
Property and equipment, net	7,262,041	6,443,379
Deferred income taxes	767,756	1,216,913
Goodwill	10,371,428	10,096,318
Other intangible assets, net	2,228,645	2,254,593
Other assets	731,289	814,020
	<u>72,480,265</u>	<u>72,525,358</u>
TOTAL ASSETS	\$ 72,480,265	\$ 72,525,358
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Lines of credit	\$ 14,846,486	\$ 20,339,721
Acquisition notes payable	1,002,629	839,326
Current maturities of long term debt	2,682,874	2,818,148
Accounts payable	11,628,771	12,499,204
Accrued liabilities	6,586,733	3,393,251
	<u>36,747,493</u>	<u>39,889,650</u>
Total current liabilities	36,747,493	39,889,650
Notes payable	6,307,025	6,582,680
Acquisition notes payable	686,640	1,171,795
Deferred income taxes	590,638	590,638
Warrant put liability	1,860,637	1,175,300
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY		
Preferred stock, 2,500,000 shares authorized, \$1.00 par value; 336,660 shares issued and outstanding at November 30, 2003 and February 28, 2003, respectively	336,660	336,660
	3,408	3,381

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Common stock, 20,000,000 shares authorized, \$.001 par value; 3,408,050 shares and 3,381,190 shares issued and outstanding at November 30, 2003 and February 28, 2003, respectively		
Additional paid-in capital	9,235,250	9,068,703
Retained earnings	18,271,729	15,838,522
Cost of stock held in treasury	(381,445)	(436,170)
Accumulated other comprehensive income	(1,177,770)	(1,695,801)
	<u>\$ 26,287,832</u>	<u>\$ 23,115,295</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	<u>\$ 72,480,265</u>	<u>\$ 72,525,358</u>

The accompanying notes are an integral part of these statements

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Q.E.P. CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE NINE MONTHS AND THREE MONTHS ENDED NOVEMBER 30, 2003 AND 2002

(UNAUDITED)

	Nine Months Ended November 30,		Three Months Ended November 30,	
	2003	2002	2003	2002
Net Sales	\$ 105,764,374	\$ 96,950,655	\$ 36,564,856	\$ 32,351,502
Cost of goods sold	69,308,092	63,679,614	24,029,723	21,193,040
Gross profit	36,456,282	33,271,041	12,535,133	11,158,462
Costs and expenses				
Shipping	9,783,297	8,838,459	3,479,878	2,895,241
General and administrative	9,279,885	8,521,044	3,224,496	2,986,722
Selling and marketing	10,731,637	10,378,003	3,471,299	3,571,482
Other expense, net	1,166,018	304,640	260,223	63,081
	30,960,837	28,042,146	10,435,896	9,516,526
Operating income	5,495,445	5,228,895	2,099,237	1,641,936
Interest income	709	653	235	26
Interest expense	(1,320,673)	(1,470,142)	(264,406)	(513,643)
Income before provision for income taxes and cumulative effect of change in accounting principle	4,175,481	3,759,406	1,835,066	1,128,319
Provision for income taxes	(1,732,497)	(1,585,377)	(782,776)	(464,363)
Net Income before cumulative effect of change in accounting principle	2,442,984	2,174,029	1,052,290	663,956
Cumulative effect of change in accounting principle		(3,047,788)		
Net income (loss)	\$ 2,442,984	\$ (873,759)	\$ 1,052,290	\$ 663,956
Basic earnings (loss) per common share:				
Income before cumulative effect of change in accounting principle	\$ 0.72	\$ 0.64	\$ 0.31	\$ 0.20
Cumulative effect of change in accounting principle		(0.89)		
Net income (loss)	\$ 0.72	\$ (0.25)	\$ 0.31	\$ 0.20
Diluted earnings (loss) per common share:				
Income before cumulative effect of change in accounting principle	\$ 0.70	\$ 0.64	\$ 0.30	\$ 0.20
Cumulative effect of change in accounting principle		(0.89)		
Net income (loss)	\$ 0.70	\$ (0.25)	\$ 0.30	\$ 0.20



The accompanying notes are an integral part of these statements.

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Q.E.P. CO., INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE NINE MONTHS ENDED NOVEMBER 30, 2003 AND 2002
 (UNAUDITED)

	Nine Months Ended	
	November 30, 2003	November 30, 2002
Cash flows from operating activities:		
Net income (loss)	\$ 2,442,984	\$ (873,759)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Cumulative effect of change in accounting principle		3,047,788
Change in fair value of warrant put liability	685,337	376,000
Gain on sale of assets	(148,230)	
Depreciation and amortization	2,270,960	1,373,661
Bad debt expense	255,240	247,248
Deferred income taxes	449,157	364,327
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(2,657,616)	(2,590,194)
Inventories	4,273,326	(1,863,802)
Prepaid expenses	73,004	264,073
Other assets	(259,242)	(461,762)
Accounts payable and accrued liabilities	1,847,738	1,534,021
	9,232,658	1,417,601
Net cash provided by operating activities		
Cash flows from investing activities:		